

## Message Text

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45

ACTION AID-59

INFO OCT-01 EA-11 ISO-00 EB-11 IGA-02 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 DODE-00 DOTE-00 SPC-03 XMB-07 DRC-01

/109 W

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R 140915Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 324

INFO AMEMBASSY KUALA LUMPUR

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USADB

FOR NAC AGENCIES

E O 11652: ADS, DECLAS 12/31/74

TAGS: EAID, EFIN, MY

SUBJ: KUALA LUMPUR - KARAK HIGHWAY PROJECT

REF: TRSY P091540Z JAN 74

1. SUBJECT LOAN APPROVED BY BOARD OF DIRECTORS JAN 10. PRESS  
RELEASE WILL BE POUCHED.

2. POINT RAISED REFTTEL REGARDING BANK PROCEDURES IN LIGHT OF  
COST OVERRUNS VERY APPROPRIATE AND DEFINITELY REQUIRES BANK  
ATTENTION. AS GENERAL PRACTICE BANK'S  
COST ESTIMATES FOR PROJECT BASED ON RESULTS OF  
FEASIBILITY STUDY AND PRELIMINARY DESIGN. PROJECT  
ITSELF PROVIDES FOR DETAILED ENGINEERING DESIGN AS WELL AS  
IMPLEMENTATION OF PROJECT BASED ON RESULTS OF  
SUCH DESIGN WORK. HENCE, WHEN PROJECT BROUGHT TO BOARD  
FOR APPROVAL ESTIMATES OF TOTAL COST OF PROJECT  
BASED ON FEASIBILITY STUDY-PRELIMINARY DESIGN AND NOT  
ON DETAILED ENGINEERING DESIGN WORK, LATTER BEING IN-  
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CLUDED AS PART OF PROJECT.

3. IN LIGHT OF ABOVE, MAY INDEED BE MERIT IN REQUESTING BANK TO CONSIDER EITHER (A) TWO STAGE FINANCING ARRANGEMENT IN WHICH DETAILED DESIGN WORK CONDUCTED IN PHASE ONE AND PROJECT IMPLEMENTATION BASED ON DETAILED DESIGN EXECUTED IN PHASE TWO, OR (B) RETROACTIVE FINANCING BY BANK OF DETAILED DESIGN WORK IF BANK DECIDES TO FINANCE COST OF PROJECT, ESTIMATES OF WHICH BASED ON DETAILED DESIGN FINANCED BY EITHER LOCAL GOVT OR OTHER NON-BANK INSTITUTION. IN EITHER CASE COST ESTIMATES SHOULD BE FAR MORE ACCURATE. WITH RESPECT TO (A) MAY BE DISADVANTAGES IN PROCEDURE IN THAT EXTENT OF BANK COMMITMENT UNCERTAIN AT POINT WHERE BANK AGREES TO FINANCE DETAILED ENGINEERING DESIGN AND USE RESULTS OF THAT EFFORT FOR COST OF TOTAL PROJECT. WITH REGARD TO (B) ABOVE MAY BE SOME DIFFICULTY IN RETROACTIVELY FINANCING COMPLETED DETAILED DESIGN WORK UNLESS BANK WERE ASSURED THAT CONSULTANTS HAD BEEN SELECTED IN ACCORDANCE WITH BANK GUIDELINES, ETC. FYI: TWO-PHASED APPROACH DESCRIBED IN (A) ABOVE EMPLOYED IN PROPOSED TECHNICAL ASSISTANCE TO KOREA FOR ROAD IMPROVEMENT PROJECT (ADB DOC R5-74 POUCHED JAN 14). SEPTTEL SUMMARIZING PROPOSAL FOLLOWS. END FYI.

4. UNDOUBTEDLY OTHER VARIATIONS TO ABOVE TWO ARRANGEMENTS WHICH WOULD ALLOW BANK MORE ACCURATE ESTIMATE OF PROJECT COSTS. NONETHELESS ATTENTION SHOULD BE FOCUSED ON THIS ISSUE IF CONSIDERABLE NUMBER OF COST OVERRUNS FOR HIGHWAY PROJECTS ARE TO BE AVOIDED OR MINIMIZED IN THE FUTURE.

5. WILL ATTEMPT TO RESPOND TO QUESTION ON SHARE OF "TIME SAVINGS" AS PERCENT OF TOTAL BENEFITS IN SEPTTEL. SULLIVAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVELOPMENT LOANS, HIGHWAYS, COMMITTEE MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION AID  
**Original Classification:** LIMITED OFFICIAL USE  
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**Reference:** TRSY P091540Z JAN 74  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07-Aug-2002 by martinml>; APPROVED <03-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** KUALA LUMPUR - KARAK HIGHWAY PROJECT  
**TAGS:** EAID, EFIN, MY, ADB-1  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005